

**TENNESSEE GENERAL ASSEMBLY
FISCAL REVIEW COMMITTEE**



FISCAL NOTE

HB 1762 - SB 2011

March 10, 2011

SUMMARY OF BILL: Removes the state sales tax exemption for the first \$15 of any charges or fees assessed by video programming service providers for the sale of subscriptions for television programming services.

ESTIMATED FISCAL IMPACT:

Increase State Revenue – Net Impact - \$16,576,600

Increase Local Revenue - \$6,062,900

Assumptions:

- Under current law, the state levies an 8.25 percent sales tax on video programming services sold to subscribers priced up to \$27.50 per month. However, the first \$15 of the \$27.50 portion is sales tax exempt. On amounts in excess of \$27.50, the state levies a seven percent sales tax.
- Under this bill, the first \$15 portion will become sales-taxable at a rate of 8.25 percent.
- According to the Department of Revenue, there are approximately 1,300,000 television service subscribers in Tennessee.
- A ninety percent rate of tax compliance.
- The increase in state sales tax revenue will be \$17,374,500 (1,300,000 x \$15 x 12 months x 8.25% rate x 90% compliance).
- Pursuant to Tenn. Code Ann. § 67-6-103(a)(3)(A), local governments receive 4.5925 of all state sales tax revenue as state-shared sales tax revenue.
- Local governments will be authorized to levy local option sales tax on the first \$15 portion at the applicable local option sales tax rate.
- An average local option sales tax rate of 2.5 percent.
- The net increase in state revenue will be \$16,576,576 [$\$17,374,500 - (\$17,374,500 \times 4.5925\%)$].
- The increase in local government revenue will be \$6,062,924 [$(1,300,000 \times \$15 \times 12 \text{ months} \times 2.5\% \text{ rate} \times 90\% \text{ compliance}) + (\$17,374,500 \times 4.5925\%)$].

CERTIFICATION:

The information contained herein is true and correct to the best of my knowledge.

A handwritten signature in blue ink, reading "James W. White". The signature is fluid and cursive, with the first name "James" written in a smaller, more compact script than the last name "White".

James W. White, Executive Director

/rnc